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MANAGING YOUR MONEY

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Unigestion targets Asian institutional clients with 'low-vol' offerings

| BY KELVIN TAN |


SAMUEL ISAAC CHUA/THE EDGE SINGAPORE

Sabrier: In five years' time, Asia clients should make up 15% to 25% of our AUM

Geneva-based asset manager Unigestion, which oversees assets under management (AUM) of about US$15.5 billion ($19.4 billion) for more than 250 institutional investors, is confident of securing investment mandates from the region's pension funds, insurance companies and sovereign wealth funds (SWFs) over the next five years, says its group chairman and CEO Bernard Sabrier.

"In five years' time, Asia clients should make up 15% to 25% of our AUM. That is achievable. We have been in this business for more than 40 years. We know how to be patient. We know what institutions want. We can show potential clients in Asia that we have 250 of the most demanding institutional clients in Europe and Canada. Theoretically, if we can be partners with those clients, we can also be partners with institutions in Asia," says the Singapore-based Sabrier in a recent interview with *Personal Wealth*.

Having set up its Asia headquarters in Singapore a few years back, less than 5% of its AUM is sourced from Asian institutional clients, which include the University of Hong Kong's endowment fund. "At the moment, AUM from Asian institutions is very small, but we continue to talk to Asian pension and endowment funds, insurance companies and SWFs. Most of these institutions will take two or three years to allocate money," adds Sabrier. He says some Asian institutions have expressed interest in Unigestion's expertise in low-volatility [low-vol] equity and private equity. "We do not get calls every day for mandates on hedge funds. Private equity is becoming more popular with institutions in Asia. We are also getting more traction at the moment for low-vol equities."

Early investor of low-vol equities

Sabrier says his company started offering low-vol equity mandates to clients as early as in 1998. "We invented that business and we were the first one who did it seriously, in 1995 to 1998," he says. Sabrier learnt that stocks with low volatility actually performed better than market indices after meeting US academic Professor Robert Haugen, considered to be the father of low-volatility investing, in 1995. Minimum-variance or low-vol portfolios were created after Haugen claimed in 1995 that a US equity portfolio with low-vol stocks actually turned in better absolute returns and risk-adjusted returns than the Standard & Poor's 500 index.

"We met up with Professor Haugen in 1995, looked at his academic results and adapted the concept into a model which we could manage. We invested US$15 million of our own money for three years before we started to show it to institutions in 1998 to 2000, when nobody was talking about minimum variance," says Sabrier. Investors were "very doubtful" about low-vol investing in the beginning, he recalls. "We assembled a group of 60 to 80 low-volatility stocks. We ended up with a portfolio that was 30% less volatile than the market and it overperformed the market. It took years to convince institutional investors about low-vol investing, which has become fashionable only over the past two or three years."

Sabrier tells *Personal Wealth* that his firm was also an early investor in hedge funds, having started to put money in these alternative investments as early as in 1984. "In 1984, I had money with [hedge fund managers such as] Paul Tudor Jones. We were also 'day one investors' with Louis Bacon, Stanley Druckermiller and Julien Robertson," says the Unigestion chairman, whose firm now offers clients several hedge fund mandates ranging from equity long-short and global macro to commodity trading.

From bond broker to asset manager

Unigestion, founded in 1971 by Sabrier's father who subsequently sold the company to his 23 year-old-son in 1976, currently has around US$8 billion of assets in low-vol equity mandates, US$3 billion in private equity, US$2 billion in hedge funds and the rest in multi-asset strategies.

"My father wanted to sell the business, which was very small back then with only two employees and half a million in capital, and I bought it. I wanted to have a try [at managing a business] on my own and it was an opportunity," recalls the 61-year-old Swiss national who is now a Singapore permanent resident.

Back in the late 1970s, Unigestion was just a small bond broker. "At that time, we were mainly doing intermediation in bonds. I was running the fixed income book, brokering bonds for financial institutions and banks. And then, we started to do a little bit of fund management."

After struggling in the initial years, Unigestion's business took off in the early 1980s with the development of the European bond market. In 1987, Sabrier listed the company. A year later, he took control of Swiss bank Banca della Svizzera Italiana (BSI), which he sold three years later. "We kept that bank for a few years, and we sold it to Swiss Bank Corp. At that time, it was the largest financial transaction in that sector. We made half a billion Swiss francs from that transaction."

In 1996, Unigestion sold its banking business to Republic National Bank. "At that time, I thought that the Swiss private banking model would have some issues in non-tax compliance assets, so we decided to sell the bank. We sold Bank Unigestion and concentrated only on the institutional [asset management] business," says Sabrier who delisted his company in 2002.

Today, Unigestion operates as a fully independent asset management firm with 170 employees who provide tailored investment solutions involving risk managed equities, hedge funds, private equity and cross asset solutions. "We have 250 institutional clients. It is them that make us different [from other asset management firms]. We are one of the few boutique asset managers in Europe with many world-class institutional clients. If you take the 10 largest pension funds in the UK, three of them are our clients. If you take the 10 largest insurance companies in France, more than five of them are our clients. We have also **Nestle**'s pension fund and other clients, including two SWFs," says Sabrier.

Looking ahead, the chairman is confident his firm, with its 40-year track record, will attract new institutional clients from the US, Asia and the Middle East. "The institutional world is so big, we have not done anything yet in the US or the Middle East. In Asia, we have just started to talk to the 40 to 50 large institutions in the region. So we still have a lot of potential." E